

Global Credit Portal RatingsDirect®

May 4, 2010

Summary:

Dedham, Massachusetts; General Obligation

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Summary:

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Credit Profile		
US\$8.095 mil GO bnds dtd 05/15/2010 due 05/15/2030		
Long Term Rating	AA+/Stable	New
Dedham GO		
Long Term Rating	AA+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA+' long-term rating and underlying rating (SPUR) on Dedham, Mass.' general obligation (GO) parity debt outstanding, and assigned its 'AA+' long-term rating, and stable outlook, to the town's series 2010 GO municipal purpose loan bonds.

In our opinion, the rating reflects the town's:

- Prime location between Boston and Route 128, with easy access to many of the commonwealth's major employment centers;
- Mature and very diverse tax base, which has shown some recent valuation declines;
- Extremely strong per capita market value, coupled with strong resident income levels;
- Strong and well-embedded financial management policies and procedures, and strong available fund balance levels:
- Moderate overall net debt burden, coupled with limited future capital needs.

The town's full faith and credit pledge secures the bonds. The town will use bond proceeds to fund various capital projects.

Dedham (2008 population: 23,704) is a fully developed, primarily residential community with a strong commercial and retail component, adjacent to southern Boston. With nearby commuter-rail links and direct access to Route 128/Interstate 95, Dedham's residents have access to downtown Boston and most of the commonwealth's employment centers, making the town attractive to professionals. Property wealth and income levels are strong overall, in our opinion. The median home value in 2008 was 231% of the national level, and per capita market values are extremely strong, in our view, at about \$170,000. In our opinion, income measures for the town are strong compared with national levels: median household effective buying income (EBI) is 137% of the national level and per capita EBI is 127% of the national level. However, these figures are a bit lower relative to Massachusetts levels: household and per capita EBI figures are 118% and 106% of the commonwealth levels, respectively.

The property tax base decreased by 4% in fiscal 2008, and had slight additional declines in fiscals 2009 and 2010, which brought assessed valuation (AV) to \$4.00 billion, which is still approximately 70% higher than five years earlier. The tax base remains very diverse, with the 10 leading taxpayers accounting for about 10% AV. Two large projects have begun operation in the town recently and are not fully reflected in the fiscal 2010 AV: the Legacy place lifestyle center mall and the Newbridge on the Charles assisted living center, which is owned by Hebrew Senior Life. The Newbridge complex is now the town's leading employer, with 650 jobs.

Dedham's total general fund declined by about \$600,000 in fiscal 2009, due to the use of reserves for deficits in snow removal and special education expenses, but the unreserved financial position declined by about \$2.0 million, due to an increase in encumbrances and a \$1.0 million increase in the reserve for the use of fund balance in fiscal 2010. The unreserved general fund declined to \$2.9 million, but the separate stabilization fund remained stable at \$4.0 million, for a total available financial position of \$6.9 million, or 8.5% of expenditures, which we consider to be strong. The town's state aid was reduced in midyear fiscal 2009 by nearly \$400,000. Management estimates that the unreserved fund balance may decline by an additional \$500,000 in fiscal 2010 due to appropriating funds for capital expenditures in fiscal 2011. However, management projects that the supplemental assessment for the new shopping mall may be about \$700,000 better than budget, and reduce this decline. The town has settled most of its expired union contracts and maintains a salary reserve that is available for settling retroactive amounts of the unsettled police and parks collective bargaining contracts. The fiscal 2011 budget projects a greater level of state aid declines than the current legislative proposals, and contains a \$1.5 million appropriation of fund balance for pay-as-you-go capital expenditures.

Dedham's management practices are considered "strong" under Standard & Poor's financial management assessment methodology, indicating Dedham's financial practices are strong, well-embedded, and likely sustainable.

Following this bond issuance, Dedham's overall net debt will remain low at just \$2,000 per capita and 1.2% of market value. The carrying charge in fiscal 2009 was low at less than 7% of general fund expenditures. Amortization is rapid, with more than 80% of long-term debt retired over the next 10 years. The town has no variable-rate debt or interest-rate swap exposure.

As of April 2008, the town's other postemployment benefits (OPEB) liability was estimated to be \$56,839,513 based upon an 8% full pre-funding assumption, and \$112,625,512 based upon a 3.5% pay-as-you go basis. Dedham has established an OPEB trust fund to meet its obligation, and made a \$250,000 contribution into this fund in fiscal 2010.

Outlook

The stable outlook reflects Standard & Poor's expectation that the town will maintain an adequate financial position despite additional state aid reductions. In addition, we expect debt levels to remain low due to limited capital needs.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of May 4, 2010)		
Dedham GO		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by hond insurance		

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